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Approved For Release 2000/09/08 : CIA-RDP78-02820A001200030038-4

UNITED STATES GOVERNMENT

Memorandum

TO : The Files: Contract 4017-65-R,
T.O. 4017-(100,010)-65-R

EP 66-102

DATE: 5 May 1966

FROM : Mr. [REDACTED]

25X1A9a

SUBJECT: Inspection Report No. 5 - Service Contract with [REDACTED]

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1. Project Description:

Service Contract. This task provides for the performance of a variety of work order type jobs. Engineering and shop services are the prime considerations.

2. Contractual Information:

- a. Initial Cost: \$5,000.00 Increase in Funds: \$25,000.00
- b. Request for Procurement Action: 19 March 1965
- c. Initiation Date: 1 July 1965
- d. Completion Date: 30 June 1966
- e. Deliverable Items: As described under each work order.

3. Date of Meeting: 13 April 1966

4. Place of Meeting: St. Louis, Missouri

5. Persons Attending:

Agency

25X1A9a . Mr. [REDACTED]

Non-Agency

Mr. [REDACTED]
Mr. [REDACTED]
Mr. [REDACTED]

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6. Contractor's Performance:

- a. On schedule and expected to remain so: See Below
- b. Within obligated funds and expected to remain so: See Below
- c. Satisfactory technical progress: See Below

7. Project Status:



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7. Project Status:

Work Orders 1, 2, 3, 4, 5, 9, 10, and 11 - RS-509 Systems

All work under the above work orders was suspended on 8 April 1966, because of their being in an overrun condition. [REDACTED] has projected a \$13,000 (minimum) overrun in correspondence dated 29 March 1966. This letter outlines, in the most general terms, the supposed reasons for the overrun (see [REDACTED] letter). In order to obtain a clearer understanding of the overrun reasons, each item was discussed in detail with the [REDACTED] representatives. The intent was to allow the contractor to verbally present his request citing program problems to the best of his ability and not impair his discourse with an argumentative or negative attitude.

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In my opinion, [REDACTED] has allowed this program to be mismanaged through inadequate supervision, condoned technician inefficiency, overloaded the job with technician personnel and exercised poor judgment in originally estimating the cost of work. The Agency's Contracting Officers are aware of the current problems which exist under the task and have agreed to effect a negotiation with the contractor at an undisclosed date.

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The RS/L-509 equipment which was delivered under Work Order 3 is considered above average when compared to RS-509's previously fabricated by [REDACTED]. The contractor has demonstrated his capability to produce very acceptable hardware but is pricing himself out of our reach. A possible contributing factor to the inefficiencies described earlier is the fact that during a large portion of the time these work orders were in progress, [REDACTED] was experiencing a very minimum workload in relation to these work orders. As a result, our work assignments were probably loaded with an excess of personnel and, in addition, the pace of work was decelerated. This is based upon observations and comments which were made during past inspection trips to the contractor's facility. To prevent a similar situation from reoccurring in the future, a second source must be developed for similar system configurations. This will allow our "educating" a second source in the "niceties" of system fabrication but yet allow [REDACTED] to provide the innocuous appearing exterior packages in which these RS-509 systems frequently are placed.

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Also, rather than negotiate with [REDACTED] . . .

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Excluded from automatic
downgrading and
declassification

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Also, rather than negotiate with [REDACTED] in Washington, D.C., it might be more desirable to meet in St. Louis. By meeting in Washington, D.C., the contractor is afforded the opportunity to plead lack of technical information, labor hours, audit data, etc., thus allowing himself a subsequent opportunity to generate supporting arguments and data for his own personal advantage.

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Renewal of the FY-67 [REDACTED] service contract should be written on a fixed price work order basis rather than CPFF.

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Attachment:

25X1A5a1 [REDACTED] Letter dated 29 March 1966

Distribution:

R&D Subject File w/att
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25X1A9a OC-E/R&D-EP/[REDACTED]/bjp

(5 May 1966)

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